

Update on Health, Life, Dental Restructure HR Network – 8/12/04

Director's annual compensation recommendations for FY 2006 (7/1/05 – 6/30/06) contain recommendations to move forward with exploration of self-funding and change the plan year to a fiscal year.

Fiscal Year: aligns all three pieces of total compensation. State can sync up the budgeting cycle. Employees will be more informed when making comp decisions because they will know rates and enroll at the same time they see salary increases. It will take two enrollments in the transition so need a lot of careful communication.

Self-funding. Two independent actuaries and the taskforce say it is feasible. It will give us flexibility and control in plan design and cost management. No need for the "assessment" mentioned year or two ago – will have stop-loss insurance and a contingency reserve.

Short plan year (1/05 – 6/05). Asked for renewals to extend contracts. They are coming in and, with the exception of one, looks like rates could be stabilizing a bit. While health cost trends in the market are still double digit (starting to drop slightly), the increase in the State's contribution might make up for any increase in our rates so employees could come out a little ahead in terms of total compensation.

New plan year (7/05 – 6/06). RFPs are out for both self-funding and full-insured proposals. Current group HMOs were invited to make proposals. These are all due August 13. A RFP was released for staff model HMO (e.g., Kaiser Denver) and is due August 27. Once all of these are evaluated, we will be able to make a recommendation concerning self-funding. Included for July 1 is a plan design for a high deductible health plan that will qualify for a Health Savings Account.

Dental: basically the same steps as health. Want to build benefit enhancements into the short year plan to take advantage of the 10% rate reduction. The RFP for the new fiscal year will go out in the next few weeks.